



**Re: Lehman Brothers Holdings Inc.
Debtor Name: Lehman Re LTD
Chapter 11 Case# 08-13555 (JMP)
Claim#10424, Docket #21213
for A. M. Best Company Inc.
Our Account#9767600
Our Invoice#2223440 dated 7/2/2008**

**EXHIBIT 7:
COMPANY REPORT**

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Publication Date: 05/07/2008

**AMB Credit Report - Insurance Professional for
LEHMAN RE LIMITED**

Composite Reinsurer

Ultimate Parent: Lehman Brothers Holdings Inc

HM 68, Hamilton HM AX, Bermuda

Tel: 441-296-8451

Fax: 441-296-8452

AMB#: 86949

AIIN#: AA-3190804

Ultimate Parent#: 51596

Report Revision Date: 05/07/2008

BEST'S RATING

Based on our opinion of the company's Financial Strength, it is assigned a Best's Rating of A (Excellent). The company's Financial Size Category is Class IX.

RATING RATIONALE

Rating Rationale: The rating of Lehman Re Ltd. (Lehman Re) reflects the company's substantial level of capitalization; increased volume of transformer business; a modest level of insurance liabilities; and earnings generated from developing risk management solutions, including securitizations and structured transactions. Offsetting these strengths are modest earnings, earlier dividend payments to parent, Lehman Brothers Holdings, the drop-off in life reinsurance business activity and low transaction volume during the same time period.

Lehman Re possesses the capital, the expertise and the investment banking access to life and non-life reinsurance industry principals, which are strong enhancements to further development of its business model, including implementing capital market solutions that facilitate orderly risk diversification in the insurance and reinsurance industries.

Notwithstanding Lehman Re's acknowledged future potential, however, predictable earnings and new business activities have not developed to the extent A.M. Best originally expected. Lehman Re acts as a conduit for reinsurance business to Lehman Brothers for capital market execution. Over the past few years, Lehman Re has been inactive and thus has not demonstrated a steady or sustainable pattern of new business growth. However, more recently, Lehman Re has begun exploiting niche business opportunities which A.M. Best expects will increase Lehman Re's earnings capacity and lead to greater new business volumes going forward.

Although the company currently is overcapitalized for the current risks accepted, continued dividend payments of earlier amounts will result in a shrinking capital position. A.M. Best notes, however, that no dividend payments have been made in the last two years and no dividend payments are planned for 2008.

Best's Rating: A

Outlook: Stable

FIVE YEAR RATING HISTORY

<u>Date</u>	Best's <u>Rating</u>
05/07/08	A
09/18/06	A+
04/20/04	A+
06/24/03	A+

BUSINESS REVIEW

Lehman Re Ltd. ("Lehman Re") is an indirectly wholly-owned offshore reinsurance subsidiary of Lehman Brothers Holdings Inc. ("Holdings"). Incorporated in Bermuda 1998, it is licensed as a Class 4 and long-term insurance company under Bermuda's 1978 Insurance Act. Lehman Re's financial obligations are fully guaranteed by Lehman Brothers. Lehman Re is managed by professionals in the Insurance Products Group with Lehman Brothers managing directors included among Lehman Re's board of directors. The Insurance Products Group has significant management depth and competence and includes a seasoned leadership team as well as a high level of technical expertise among the analytical, research, and legal support teams.

Lehman Re functions as "intermediary/transformer/agent" of risks in its capacity as a reinsurer. One of the key business models planned is that Lehman Re acquires insurance risks, restructures and repackages risks to suit investor appetites, and distributes such risks in various forms including retrocession, debt securities, and applications of securitization technique. Lehman Re is positioned as a complement to the product and service offerings to Lehman Brothers investment banking clients. Lehman Re will be utilized as a vehicle to deliver insurance-based solutions to the financial requirements of Lehman Brothers' customer base. Lehman Re attempts to position itself in the still-nascent convergence area of insurance and capital markets and will adopt roles as acquirer, warehouse, and distributor of insurance risks as required.

The brief operating history and unproven strategy place Lehman Re outside established rating parameters for reinsurers. Rating factors that were considered include capital base, the financial guarantee from Holdings and the franchise value. The rating assigned to Lehman Re is heavily based on the quality of senior management and the technical expertise of research and analytical staff at LISG. We also recognize the integration of Lehman Re's business operations into the risk management oversight processes at Lehman Brothers. To the extent Lehman Re holds risks, the risks are analyzed and quantified through a rigorous risk management process. Running Lehman Re's GAAP financial data through A.M. Best's capital adequacy model, albeit based on a limited period, indicated more than sufficient capital to support the assigned rating even after consideration of the systematic depletion of capital over the last four years. Capital adequacy may fluctuate with transactions as booked, and the overall capital strength will be monitored and reviewed.

In view of the various roles to be played by Lehman Re in supporting the insurance-based business strategy in tandem with Lehman Brothers, we require close and interactive ongoing monitoring to support the rating. Transactions booked through Lehman Re are typically complex, highly-structured, and the result of extensive marketing and incubation periods. Transactions will not be individually reviewed and the integrity of the rating will rely on comfort with the intellectual capital

and risk management processes as exhibited in ongoing due diligence of Lehman Brothers and Lehman Re.

FINANCIAL PERFORMANCE

Overall Earnings: Since its incorporation in 1998, Lehman Re's adjusted return on equity has averaged 2.4 %; peak return occurred in 2000 at 6.2%, which was dominated by investment income. With the exception of 2002 and 2005, year-over-year net premiums earned have declined, as a result of the company's reduced deal flow and opportunistic business plan. The increases in 2002 and 2005 reflected the addition of two life and three property reinsurance contracts and a terrorism coverage policy. The two life contracts have been structured/repackaged and retroceded to third parties, including hedge funds and reinsurers. The three property contracts are fully collateralized by retrocessionaires and have a risk period of 12 months. In 2006, Lehman newly added 15 property transformer transactions.

During the four years (2002-2005), Lehman Re's main focus was on providing advisory to its customer base and, as a result, assumed underwriting premiums and warehoused insurance risks were dramatically reduced. Because of market conditions, and with the implementation of its business strategy as an integral portion of LISG under Lehman Brothers Fixed Income Group, its earnings fluctuated during the period. Its profitability ranged from a high of USD 33.8 million in 2000 to a low of USD 7.1 million in 2004 (USD 12.4 million in 2005). Its net premiums earned from the underwriting of traditional insurance risks peaked in 2000 at USD 20.5 million. With its revised strategy commencing in 2002, net premiums earned in 2003 and 2004 were negligible. The major source of income still consisted of investment income and capital gains earned on its investment portfolio. Further erosion in Lehman Re's capital base will negatively impact investment income in 2005 and future years.

The return on equity probably is not a good financial indicator for Lehman Re, because Lehman Re's key value is in being an intermediary to Lehman Brothers' market expansion in the insurance sector, and its mandate has been performed by LISG, which structurally belongs to Lehman Brothers. Lehman Re continuously positions itself as a transformer. This may explain its low level of general and administrative expenses of less than USD 1 million; staffing expense being compensated by Lehman Brothers.

Although its investment portfolio remained relatively stable in 2005, increasing by approximately USD 30.0 million, year-over-year investment earnings increased substantially, reflecting the interest rate environment of the past 18 months. Reduced business activity continued to drive net income lower until 2004, when new business activity began to increase.

Lehman Re's net premium earned and operating income dropped dramatically during 2000-2004, reflecting the reduced level of new business and/or transactions. Earnings for the period were primarily sourced from income and gains generated from its investment portfolio, through its affiliate, Appalachian.

CAPITALIZATION

Overall Capitalization: Lehman Re, at inception, was provided with USD 500 million in cash equity and a full and unconditional guarantee from its parent Lehman Brothers Holding, Inc. In addition, Holding has allowed Lehman Re to benefit from the franchise value of carrying its name.

After a USD 54.9 million dividend payment to the holding company, 2005 year-end equity (capital and surplus per GAAP financial statements) totaled USD 334.7 million. Additional distributions of USD 80, 68.5 and 74.5 million were made to its holding company in 2004, 2003 and 2002. The capital base is also supported by the financial guarantee provided by Lehman Brothers. A.M. Best recognizes that Lehman Re's warehousing and transforming activities will require inter-period capital requirements that may fluctuate over time as insurance risks are acquired, repackaged and subsequently redistributed or sold. This will be monitored as part of the rating review process.

LIQUIDITY

Overall Liquidity: The invested assets of Lehman Re are managed by Appalachian Asset Management Corp., an affiliate and wholly-owned subsidiary of Lehman Brothers Holdings, Inc. As of the most recent review by A.M. Best, security holdings were all investment grade and above. Given the surplus capital relative to current requirements, a large portion of invested assets are placed with Lehman affiliates through short-term REPO transactions, secured by marketable securities. The investment portfolio is highly liquid. Interest rate risk is managed through hedging transactions through interest rate swaps and currency swaps booked internally with Lehman affiliates, eliminating third party counterparty credit risk. A.M. Best is satisfied with the asset/liability management of Lehman Brothers and notes the portfolio limits on individual credit exposures and limits on investments per rating category mandated by Lehman Brothers risk management controls.

Source of Information: Audited Financial Statement

Summarized Accounts as of December 31, 2007

STATEMENT OF INCOME

	12/31/2007 USD(000)	12/31/2006 USD(000)
Combined technical account:		
Gross premiums written	76,985	16,109
Reinsurance ceded	75,969	12,766
Net premiums written	1,016	3,343
Increase/(decrease) in gross unearned premiums	-59	571
Net premiums earned	1,075	2,772
Net investment income	31,451	31,819
Realised capital gains/(losses)	381	4,998
Total revenue	32,907	39,589
Net claims paid	7,961	4,202
Net claims incurred	7,961	4,202
Management expenses	1,414	748
Acquisition expenses	-1,482	724
Net operating expenses	-68	1,472

Total underwriting expenses	7,893	5,674
Balance on combined technical account	25,014	33,915
Non-technical account:		
Other income/(expense)	-4,070	2,500
Profit/(loss) before tax	20,944	36,415
Taxation	7,330	12,730
Profit/(loss) after tax	13,614	23,685
Retained Profit/(loss) for the financial year	13,614	23,685
Retained Profit/(loss) brought forward	39,481	15,796
Retained Profit/(loss) carried forward	53,095	39,481

ASSETS

	12/31/2007 USD(000)	12/31/2007 % of total	12/31/2006 USD(000)
Cash & deposits with credit institutions	120,329	10.4	21,123
Bonds & other fixed interest securities	895,917	77.3	668,255
Liquid assets	1,016,246	87.7	689,378
Inter-company investments	18,175	1.6	26,649
Other investments	51,333	4.4	47,709
Total investments	1,085,754	93.7	763,736
Insurance/reinsurance debtors	41,696	3.6	17,754
Inter-company debtors	5,530	0.5	7,257
Total debtors	47,226	4.1	25,011
Prepayments & accrued income	22,196	1.9	5,587
Other assets	3,259	0.3	...
Total assets	1,158,435	100.0	794,334

LIABILITIES

	12/31/2007 USD(000)	12/31/2007 % of total	12/31/2006 USD(000)
Capital	318,998	27.5	318,998
Paid-up capital	318,998	27.5	318,998
Retained earnings	53,095	4.6	39,481
Capital & surplus	372,093	32.1	358,479

Gross provision for unearned premiums	19,942	1.7	5,209
Gross provision for outstanding claims	18,499	1.6	11,339
Gross provision for long term business - life	288,934	24.9	294,115
Total gross technical reserves	327,375	28.3	310,663
Insurance/reinsurance creditors	43,834	3.8	8,549
Inter-company creditors	49,058	4.2	14,356
Other creditors	14,357	1.2	15,133
Total creditors	107,249	9.3	38,038
Accruals & deferred income	8,095	0.7	12,199
Other liabilities	343,623	29.7	74,955
Total liabilities & surplus	1,158,435	100.0	794,334

HISTORY

The company was incorporated on April 1, 1998, under the laws of Bermuda, and commenced operations on June 1, 1998.

As of June 1, 1998, authorized, issued and outstanding capital amounted to USD 1,250,000, comprising 1,250,000 common shares with a par value of USD 1 each. Additional paid-in capital amounted to USD 317,747,726.

MANAGEMENT

The company is a wholly-owned subsidiary of Lehman Brothers Holdings, Inc. All the executive members of Lehman Re are from Lehman Brothers, with extensive experience in Lehman Brothers' investment banking and structured finance, and are a part of Lehman Insurance Solutions Group, a functional group in Lehman Brothers, specializing in insurance/reinsurance. As a transformer between the insurance and capital markets, Lehman Re's management team members are familiar with the insurance industry and capital markets.

Officers: President Martin P. Klein, Co-head of Lehman Insurance Solutions Group Doug McBeth, Jeremy Starr, Alex Cooper, David Astwood, and Alex Cowley.

BALANCE SHEET ITEMS

	USD (000) 2007	USD (000) 2006	USD (000) 2005	USD (000) 2004	USD (000) 2003
Liquid assets					
Total investments	1,016,246	689,378	677,911	661,092	752,537
Total assets	1,085,754	763,736	761,626	715,733	797,395
Gross technical reserves	1,158,435	794,334	777,531	735,458	818,624
Net technical reserves	327,375	310,663	308,898	334,735	336,174
Total liabilities	327,375	310,663	308,898	334,735	336,174
Capital & surplus	786,342	435,855	442,737	358,191	368,447
	372,093	358,479	334,794	377,267	450,177

INCOME STATEMENT ITEMS

	USD (000) 2007	USD (000) 2006	USD (000) 2005	USD (000) 2004	USD (000) 2003
Gross premiums written	76,985	16,109	5,641	-59	1,200
Net premiums written	1,016	3,343	1,899	-59	157
Balance on technical account(s)	25,014	33,915	18,146	10,905	25,654
Profit/(loss) before tax	20,944	36,415	19,146	10,905	18,086
Profit/(loss) after tax	13,614	23,685	12,427	7,088	11,754

LIQUIDITY RATIOS (%)

	2007	2006	2005	2004	2003
Total debtors to total assets	4.1	3.1	1.7	2.5	2.4
Liquid assets to net technical reserves	310.4	221.9	219.5	197.5	223.9
Liquid assets to total liabilities	129.2	158.2	153.1	184.6	204.2
Total investments to total liabilities	138.1	175.2	172.0	199.8	216.4

PROFITABILITY RATIOS (%)

	2007	2006	2005	2004	2003
Return on net premiums written	999.9	708.5	654.4	-99.9	999.9
Return on total assets	1.4	3.0	1.6	0.9	1.4
Return on capital & surplus	3.7	6.8	3.5	1.7	2.5

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Best's Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Debt/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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